



**Request for City Council Committee Action  
from the Department of Community Planning and Economic Development**

**Date:** October 8, 2013

**To:** Council Member Lisa Goodman, Chair Community Development Committee

**Subject:** Seward Square Apartments - Request for Final Approval to Issue up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

**Recommendation:** Approve the attached Resolution giving Final Approval to Issue up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the Seward Square Apartments Project

**Previous Directives:**

- On August 12, 2013, the City Council authorized preliminary approval to issue up to \$6,500,000 in Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the Seward Square Apartments Project.

Prepared by: Theresa Cunningham, Senior Project Coordinator (612) 673-5237

Approved by: Thomas A. Streitz, Director of Housing Development \_\_\_\_\_

Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

Presenter in Committee: Theresa Cunningham

**Financial Impact:** Project will generate issuer fees.

**Community Impact:**

- Neighborhood Notification: On May 29, 2012, the Seward Neighborhood Group provided a letter of support for the proposed purchase and renovation of the Seward Square Apartments project.
- City Goals: This project addresses the following goals: A safe place to call home, Many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives
- Sustainable targets: Affordable Housing; high density housing.
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9 Minneapolis will grow by increasing its

supply of housing; Minneapolis will increase its housing that is affordable to low and moderate income households

- Living wage/Business Subsidy Agreement: N/A
- Zoning Code: The project complies.
- Job Linkage: This project will preserve 1 full-time equivalent (FTE) property management position.
- Other

### **Supporting Information**

The Seward Square Apartment building (built 1980) provides 81-units of affordable housing for elderly and disabled individuals and families in a unit mix of 59 one-bedroom and 22 two-bedroom apartments. The building is a fully occupied 5-storied, elevator building designed specifically to serve a disabled population. It has an internal ramp that allows wheelchairs to move independently between floors, especially important in case of a fire or other emergencies. The tenant population is approximately 83% disabled and 19% seniors, 62 years and older. Amenities in the units include: blinds, carpeting, access to cable and internet (at tenants' expense), ceiling fans, refrigerator, oven, wall A/C pull cords and hand rails. Common space amenities include: multiple community rooms and lounge areas including a community kitchen area, a library, a billiard room, a parking garage with space for up to 40 vehicles, central laundry facilities, residential activities, and on-site management.

The development will be owned by Seward Renewal LLC which is a single-asset entity created solely for the purpose of owning and operating the Seward Square Apartments. Seward Renewal LLC is the applicant on this request for Housing Revenue Bonds on behalf of Seward Manager, LLC, and its managing member.

Seward Square's central location at 2121 S. 9<sup>th</sup> Street in the Seward neighborhood of South Minneapolis offers excellent access to jobs located within 2.5 miles of the site, including Wells Fargo headquarters and the University of Minnesota, who combined, employ nearly 100,000 people. Rents will range from \$868 to \$1,040 per month affordable to households earning 30% or less of Area Median Income. These rents are subsidized with a Section 8 HAP Contract for all the units. Given the existing site conditions, it is anticipated that there will be surface parking spaces for 5 vehicles and 40 covered parking spaces. A Project Data Worksheet (PDW) is attached which provides additional details regarding the proposed development.

The developer understands that success for their residents depends on a strong network between management and services. They will partner with local service provider: Compassion Care, at Seward Square to offer a continuum of care to residents wishing to access additional services. Many residents need help with daily living activities, such as: housekeeping; meal preparation; laundry; prescription medication reminders, administration, and setup; transportation; shopping; assistance with grooming, hygiene, bathing, showering, dressing; socialization; incontinence assistance; walking and wheeling chair assistance.

Many of the existing residents feel isolated and neglected due to their economic status and disabilities. The property owner's goal is to create a positive living environment for the residents by combining a physical transformation of the property with a new management attitude and provision of much needed services for this vulnerable population. A survey of each apartment's residents has been conducted to determine the renovations and repairs needed for each unit. The scope of work will include a major rehabilitation including improvements to the site, building envelope, security, common areas, and dwellings units. All rehab work on individual units is "tenant-in-place," meaning that residents will not be displaced from their units during physical renovations beyond daytime working hours on a given day;

day-use units will be provided for residents whose apartments are undergoing transformation.

### **Financing Overview**

The total estimated development cost of the Seward Square Apartment purchase and renovation project is \$12,812,401. The developer has committed to defer 84% of their developer fee of \$1,238,450 resulting in a deferred developer fee commitment of \$1,043,353 and is proposing a combination of public and private seller financing. The Housing Revenue Entitlement Bonds carry an automatic 4% low income housing tax credit. The tax credits will generate approximately 3.6 million in syndication proceeds which is equity to the project.

The developer is requesting up to \$6,500,000 in housing revenue entitlement bonds. The bonds will be publicly offered by M. R. Beal & Company. This transaction will be one Series and will be FHA insured. The \$6.5 million revenue bonds issued by the City of Minneapolis will be used to pay all costs associated with the transaction, which includes acquisition costs, any construction related costs, soft costs which includes contingencies, architect and appraisal fees, and insurances, etc. The first mortgage from HUD's 221 (d)4 Program will be used to collateralize the \$6.5 million bond debt, acting as a refinance tool. The HUD 221 (d)4 Program will become the permanent mortgage and have a 40 year term. The HUD mortgage will be approximately \$6.2 million and is based upon the amount of debt the property can support. The proceeds from the syndication of the 4% tax credits will be used to fund a required reserve, pay developer fees, mortgage interest and any other tax credit eligible costs. The syndication will be paid in to the project in installments, over a period of 2 years from the date of closing. The syndicator of the tax credits is R4 Capital, with a proven team of affordable housing leaders whose collective history includes origination, underwriting, and management of more than \$12 billion of LIHTC investments for more than 100 corporate investors.

### **Housing Revenue Bond Information**

The developer is requesting final bond approval for the issuance of up to \$6,500,000 in tax exempt multi-family housing revenue entitlement bonds from the city's current allocation balance. These funds will be supported by project revenues. Staff anticipates this project will close by mid-December 2013.

The current status of the 2011/2012, 2013 HRB Entitlement allocation is shown below:

**Status of the 2011/2012, 2013 HRB Entitlement Allocation**

2011 Allocation Remaining	\$	10,932,416.00
Penalty Allocation	\$	3,729,653.00
2012 Entitlement Allocation	\$	45,675,992.00
2013 Entitlement Allocation	\$	45,968,905.00
<b>TOTAL</b>	\$	<b>106,306,966.00</b>
<b>Projects Approved for Funding</b>		
Currie Park (P)	\$	(27,000,000.00)
Hi-Lake Triangle (F)	\$	(6,500,000.00)
Seward Square (F)	\$	(6,500,000.00)
Commons@Penn (P)	\$	(5,000,000.00)
West Broadway Curve (P)	\$	(3,800,000.00)
Pillsbury A Mill (F)	\$	(30,000,000.00)
Snelling Apartments (F)	\$	(8,000,000.00)
Greenway Heights (P)	\$	(6,000,000.00)
<b>Balance Available for Other Projects</b>	\$	<b>13,506,966.00</b>

\*(P-preliminary/F-final) approvals

Bond Purchaser:	M. R. Beal & Company
Bond Underwriter:	Eichner Norris & Neumann PLLC
Bond Counsel:	Kutak Rock
Council Member:	Cam Gordon, Ward 2

**RESOLUTION  
of the  
CITY OF  
MINNEAPOLIS**

**Authorizing the issuance of bonds, in a principal amount not to exceed \$6,500,000 in the form of Housing Revenue Bonds (Seward Square Apartments Project), Series 2013, and approving and authorizing the execution of various documents in connection therewith.**

Resolved by The City Council of The City of Minneapolis:

1. STATUTORY AUTHORIZATION. The City of Minneapolis, Minnesota (the "City"), is a home rule city and political subdivision duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota, and is authorized by Minnesota Statutes, Chapter 462C, as amended (the "Housing Act"), to carry out the public purposes described in the Housing Act by issuing revenue bonds or other revenue obligations to finance multifamily housing developments located within the City. In the issuance of the City's revenue bonds and other revenue obligations and in the making of loans to finance multifamily housing developments, the City may exercise, within its corporate limits, any of the powers that the Minnesota Housing Finance Agency may exercise under Minnesota Statutes, Chapter 462A, as amended, without limitation under the provisions of Minnesota Statutes, Chapter 475, as amended.

2. THE BORROWER AND THE PROJECT. Seward Renewal LLC, a Minnesota limited liability company (the "Borrower"), has requested the participation of the City in the financing of the acquisition and rehabilitation of an approximately 81-unit rental housing development and facilities functionally related and subordinate thereto, located at 2121 9<sup>th</sup> Street South in the City to be owned by the Borrower (the "Project").

3. THE HOUSING PROGRAM. A Program for a Multifamily Housing Development (the "Housing Program") with respect to the Project and the proposed issuance of revenue obligations to finance the Housing Program and the Project was prepared pursuant to the requirements of Section 462C.03, subdivision 1a, of the Housing Act, and is on file with the City. The Housing Program was submitted to the Metropolitan Council for its review and comments in accordance with the requirements of the Housing Act.

4. PUBLIC HEARING AND PRELIMINARY RESOLUTION. The Community Development Committee of the Minneapolis City Council, on behalf of the City, held a public hearing on Tuesday, August 6, 2013, with respect to the Housing Program and the proposed issuance of revenue obligations to finance the Project. The public hearing was conducted at least fifteen (15) days after the publication in a newspaper of general circulation in the City of a notice of such public hearing. At a meeting held on August 16, 2013, the City Council of the City adopted Resolution

2013R-354, which approved and adopted the Housing Program and granted preliminary approval to the issuance of revenue obligations of the City in a principal amount not to exceed \$6,500,000 to finance the Project.

5. THE BONDS. The Borrower has requested that the City issue its Housing Revenue Bonds (Seward Square Apartments Project), Series 2013 (the "Bonds"), in an aggregate principal amount not to exceed \$6,500,000, for the benefit of the Borrower, pursuant to the terms of a Trust Indenture, dated on or after October 1, 2013 (the "Indenture"), between the City and a trustee to be selected by the Borrower (the "Trustee"). The Borrower has requested that the City loan the proceeds derived from the sale of the Bonds to the Borrower pursuant to the terms of a Loan Agreement, dated on or after October 1, 2013 (the "Loan Agreement"), between the City and the Borrower. The Borrower proposes to apply the proceeds of the loan made pursuant to the terms of the Loan Agreement (the "Loan") to the payment of a portion of the costs of the acquisition, rehabilitation, construction, and equipping of the Project and related costs.

6. OBLIGATIONS OF THE CITY. The City acknowledges, finds, determines, and declares that the issuance of the Bonds is authorized by the Housing Act and is consistent with the purposes of the Housing Act and that the issuance of the Bonds, and the other actions of the City under the Indenture, the Loan Agreement, and this resolution constitute a public purpose and are in the interests of the City. In authorizing the issuance of the Bonds for the financing of the Project and related costs, the City's purpose is and the effect thereof will be to promote the public welfare of the City and its residents by providing multifamily housing developments for low or moderate income residents of the City and otherwise furthering the purposes and policies of the Housing Act. The Bonds will be issued pursuant to the terms of the Indenture and this resolution and the Bonds and the interest on the Bonds: (i) shall be payable solely from the revenues pledged therefor under the Loan Agreement; (ii) shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the Loan Agreement; and (v) shall not constitute a general or moral obligation of the City.

7. ISSUANCE OF THE BONDS. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Bonds in the maximum aggregate principal amount not to exceed \$6,500,000. The City hereby authorizes the Bonds to be issued as "tax exempt bonds," the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes. The City shall allocate a portion of the annual volume cap within the control of the City to the Bonds pursuant to the terms and conditions of Minnesota Statutes, Chapter 474A, as amended, and Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds, substantially in the forms set forth in the Indenture now on file with the City, are hereby approved with the amendments referenced herein. All of the provisions of the Bonds, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same

extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Bonds shall bear interest at the rates, shall be designated, shall be numbered, shall be dated, shall mature, shall be issued in the aggregate principal amount, shall be subject to redemption prior to maturity, shall be in such forms, and shall have such other terms, details, and provisions as are prescribed in the Indenture, in the form now on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Bonds, the stated maturities of the Bonds, the interest rates on the Bonds, and the terms of redemption of the Bonds) as the Finance Officer, in his discretion, shall determine. The execution of the Bonds with the manual or facsimile signature of the Finance Officer and the delivery of the Bonds by the City shall be conclusive evidence of such determination.

The Bonds shall be special limited obligations of the City payable solely from the revenues provided by the Borrower pursuant to the terms of the Loan Agreement and from the revenues and security pledged, assigned, and granted pursuant to the Indenture and any other security documents provided by the Borrower to the Trustee. As provided in the Loan Agreement, the Bonds shall not be payable from nor charged upon any funds other than the revenue pledged to their payment, nor shall the City be subject to any liability thereon, except as otherwise provided in this paragraph. No holder of the Bonds shall ever have the right to compel any exercise by the City of any taxing powers of the City to pay the Bonds or the interest or premium thereon, or to enforce payment thereof against any property of the City except the interests of the City in the Loan Agreement and the revenues and assets thereunder, which will be assigned to the Trustee under the terms of the Indenture. The Bonds shall recite that the Bonds are issued pursuant to the Housing Act, and that the Bonds, including interest and premium, if any, thereon, are payable solely from the revenues and assets pledged to the payment thereof, and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitations.

8. THE INDENTURE. The Indenture is hereby approved and the Finance Officer is hereby authorized to execute and deliver the Indenture on behalf of the City. All of the provisions of the Indenture, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Indenture shall be substantially in the form now on file with the City with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution and delivery thereof by the Finance Officer shall be conclusive evidence of such determination.

9. THE LOAN AGREEMENT. The Finance Officer is hereby authorized and directed to execute and deliver the Loan Agreement. The loan repayments to be made by the Borrower under the Loan Agreement are to be fixed so as to produce revenues sufficient to pay the principal of, premium, if any, and interest on the

Bonds when due. All of the provisions of the Loan Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement shall be substantially in the form on file with the City which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, and as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determinations.

10. SECURITY. The City hereby approves the execution by the Borrower and delivery to the Trustee of: (i) one or more collateral assignments of the contracts between the Borrower and the architect and contractor with respect to the Project; (ii) one or more indemnity agreements; and (iii) other security documents that are intended to ensure timely payment of the Loan and the Bonds. The City hereby approves a disbursing agreement, between the Borrower, the Trustee, and a disbursing agent to be selected by the Borrower, to provide for the disbursement of the proceeds of the Bonds and the Loan. All such security documents, if any are delivered, shall be substantially in the forms authorized by the Borrower.

11. THE REGULATORY AGREEMENT. To ensure continuing compliance with certain rental and occupancy restrictions imposed by the Housing Act and Section 142(d) of the Code, and to ensure continuing compliance with certain restrictions imposed by the City, the Finance Officer is hereby authorized and directed to execute and deliver a Regulatory Agreement, dated on or after October 1, 2013 (the "Regulatory Agreement"), between the City, the Borrower, and the Trustee. The Regulatory Agreement shall be substantially in the form on file with the City which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determinations. All of the provisions of the Regulatory Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof.

12. OTHER CITY DOCUMENTS. The Finance Officer is hereby authorized to execute and deliver, on behalf of the City, such other documents and certificates as are necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds, including a Purchase Contract, dated on or after the pricing date of the Bonds, between the City, the Borrower, and M.R. Beal & Company, as original purchaser of the Bonds, various certificates of the City, an Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038, with respect to the Bonds, a certificate as to arbitrage and rebate, and similar documents, appropriate amendments to the Housing Program, and all other documents and certificates as the Finance Officer shall deem to be necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds. The City hereby authorizes Kutak Rock LLP, as bond counsel to the City ("Bond Counsel"), to prepare, execute, and



deliver its approving legal opinions with respect to the Bonds.

13. DISCLOSURE DOCUMENTS. The City will not participate in the preparation of an official statement or other disclosure document relating to the offer and sale of the Bonds (the "Disclosure Document"), and will make no independent investigation with respect to the information contained in the Disclosure Document, including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information. The City hereby approves the Continuing Disclosure Agreement, dated on or after October 1, 2013 (the "Continuing Disclosure Agreement"), between the Borrower and the Trustee, in the form now on file with the City.

14. SUBSEQUENT AMENDMENTS. On any date subsequent to the date of issuance of the Bonds, the Finance Officer is hereby authorized to execute and deliver any amendments or supplements to any of the documents referred to in this resolution on behalf of the City if, after review by the City Attorney and Bond Counsel, the Finance Officer determines that the execution and delivery of such amendment or supplement is in the interests of the City. The Finance Officer may impose any terms or conditions on his execution and delivery of any such amendment or supplement as the Finance Officer deems appropriate.

15. LIMITATIONS OF LIABILITY. No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council of the City, or any officer, agent, or employee of the City in that person's individual capacity, and neither the City Council of the City nor any officer or employee executing the Bonds shall be personally liable on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No provision, covenant, or agreement contained in the aforementioned documents, the Bonds, or in any other document relating to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to a general or moral obligation of the City or any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement, which are to be applied to the payment of the Bonds, as provided therein.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City, and any holders of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provisions hereof, this resolution, the aforementioned documents, and all of their provisions being intended to be and being for the sole and exclusive benefit of the City, the Borrower, the Trustee, and registered and beneficial owners from time to time of the Bonds issued under the provisions of this resolution.

16. SEVERABILITY. In case any one or more of the provisions of this resolution, other than the provisions limiting the liability of the City, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

17. VALIDITY OF THE BONDS. The Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Housing Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

18. ADDITIONAL ACTIONS. The officers of the City, the City Attorney, Bond Counsel, other attorneys, engineers, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Bonds, for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned documents, and this resolution.

19. DESIGNATION AS PROGRAM BONDS. The Bonds are hereby designated "Program Bonds" and are determined to be within the "Housing Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 1997R-402 of the City adopted December 12, 1997.

20. FEES AND INDEMNIFICATION. The Borrower has agreed to pay the administrative fees of the City in accordance with the policy and procedures of the City. It is hereby determined that any and all costs incurred by the City in connection with the financing of the Project will be paid by the Borrower. It is understood and agreed by the Borrower that the Borrower shall indemnify the City against all liabilities, losses, damages, costs, and expenses (including attorney's fees and expenses incurred by the City) arising with respect to the Project or the Bonds, as provided for and agreed to by and between the Borrower and the City in the Loan Agreement.

21. EFFECTIVE DATE. This resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.

